



Sustainable Development Report 2003

*Our economic, social and environmental
responsibility*

Message from the Chairman p. 3

Activities and Mission p. 4

Corporate Governance p. 6

Board of Directors
Committees
Senior management

Strategy and Sustainable Development p. 8

Strategy
Contribution to sustainable development

Economic Responsibility p. 11

Debt reduction and recovery
Piracy
Economic impact
North-South cooperation

Social Responsibility p. 16

Social dialog and business unit initiatives
Employee shareholding and investment programs
Employment preservation programs and reclassification measures
Social performance indicators

Environmental Responsibility p. 20

Targets and performance
Compliance with environmental, health and safety standards
Environmental performance indicators
Business unit initiatives

Responsibility toward Customers and the Public p. 26

Customer satisfaction
Health and mobile telephony
Issues linked to the production and distribution of information and entertainment

External Auditor's Opinion p. 34

Indicators

Economic, social and environmental indicators presented in this report refer notably to France's New Economic Regulations Act (NRE)* and the Global Reporting Initiative ** guidelines. The summary tables on pages 19 and 21 feature a reporting matrix for these two reporting systems. This is the fourth year Vivendi Universal has reported under the GRI.

* New Economic Regulations Act (NRE)

France's New Economic Regulations Act requires all French corporations listed on a regulated securities exchange to disclose their social and environmental performance in their annual report. (see Article 116, New Economic Regulations Act of May 15, 2001; Decree 2002-221 of February 20, 2002)

** Global Reporting Initiative (GRI)

Established in 1997 by the Coalition for Environmentally Responsible Economies (CERES) in partnership with the United Nations Environment Programme (UNEP), the GRI is a long-term, international, multi-stakeholder process whose mission is to develop and disseminate guidelines for voluntary use by organizations in reporting on the economic, environmental and social dimensions of their activities, products and services. The GRI has not verified the contents of this report, nor does it take a position on the reliability of information reported herein. (see www.globalreporting.org)



MESSAGE FROM THE CHAIRMAN

Vivendi Universal can now envisage a long-term future thanks to the restructuring initiated in July 2002. The company's debt has been substantially reduced and its financial results have improved.

More work is, however, required as our company's objective is to be among the best in each of its activities – media and telecommunications – both of which have strong growth potential.

This emphasis on performance means that we need to be more efficient economically. It also means that we must be thorough in fulfilling our social responsibility toward our partners: customers, employees, shareholders, suppliers, and financial institutions. The same diligence must be exercised with respect to our commitments toward the environment.

It is in this context that we seek to implement exemplary corporate governance standards and transparency.

This report aims to highlight our contribution to sustainable development: a contribution that encompasses our economic, social and environmental responsibilities. It also demonstrates Vivendi Universal's commitment, as a media and telecommunications company, to assume its responsibilities toward its customers in terms of both quality and safety of its products and services.

I hope that this report will foster dialog between our company and its stakeholders – a dialog that is constructive and reflects the values we share.

A handwritten signature in black ink, which appears to read "Fourtou". The signature is written in a cursive style with a long horizontal stroke at the end.

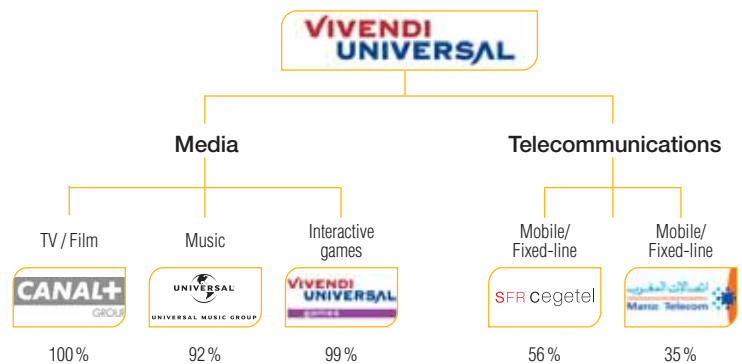
Jean-René Fourtou
Chairman and Chief Executive Officer

Activities and Mission

A leader in media and telecommunications, Vivendi Universal is a major player in each of its activities:

- Canal+ Group: leader in digital and pay-TV in France; the world's third-largest film library
- Universal Music Group: the world's No. 1 recorded music company, selling close to one CD out of four
- Vivendi Universal Games: a provider of multi-platform interactive games
- SFR Cegetel Group: the No. 2 mobile (SFR) and fixed-line (Cegetel) telecommunications operator in France
- Maroc Telecom: the leading mobile and fixed-line telecommunications operator in Morocco.

Simplified organization chart at May 30, 2004



Vivendi Universal also holds approximately 20 % of NBC Universal – one of the world's leading media companies in the development, production and marketing of entertainment, news and information – created through the combination of Vivendi Universal Entertainment and NBC, one of the world's most profitable media groups.

Vivendi Universal's activities contribute to the production and dissemination of cultural materials, and to the distribution of services providing access to information, knowledge and entertainment. These services also facilitate new methods of communication.

2003 significant events

January

- Vivendi Universal reinforces its position as majority shareholder of Cegetel Group by acquiring an additional 26% of the share capital for €4 billion
- Sale of Canal+ Technologies to Thomson

April

- Successful placement of Vivendi Universal's high-yield bond issue for an amount of €1.2 billion
- Sale of Telepiù, the Italian pay-TV platform, to News Corporation and Telecom Italia

June

- Vivendi Universal Entertainment (VUE) refinances its long-term debt through a film securitization transaction and a \$920 million five-year loan
- IAC exercises its pre-emptive right and buys all of the 28.28 million IAC warrants held by Vivendi Universal

February

- Sale of the Consumer Press division (Express, Expansion and L'Etudiant Group) to Socpresse
- Vivendi Universal sells 32 million InterActiveCorp (IAC, formerly USA Interactive) warrants

May

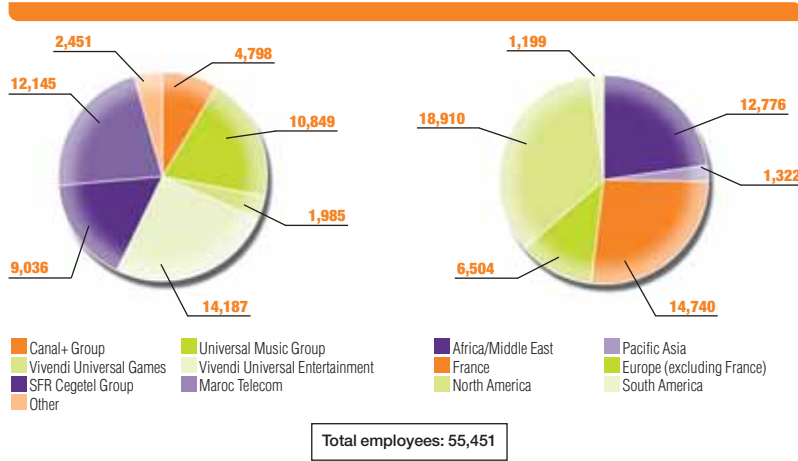
- Sale of newspaper company Comareg to France Antilles Group

July

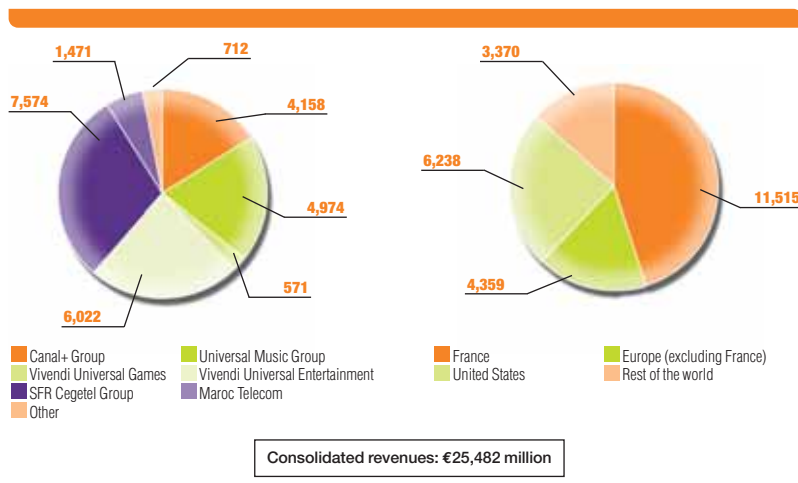
- Successful placement of Vivendi Universal's high-yield bond issue to refinance the credit facility incurred in January 2003 in connection with the acquisition of an additional 26% of Cegetel Group's share capital

Encouraging creativity, promoting cultural diversity and enhancing ties between people are important to the group. Vivendi Universal's businesses operate in regulated sectors in which the technologies are constantly changing and competition is strong. These factors represent challenges for Vivendi Universal's employees who, through their creativity and capacity to innovate, do their utmost to anticipate market needs and expectations.

Employee breakdown by business unit and geographical area (at December 31, 2003)



Revenue breakdown by business unit and geographical area (in € millions, at December 31, 2003)



August

- Vivendi Universal sells its interest in Xfera to the company's other shareholders

October

- Signing of a final agreement between Vivendi Universal and General Electric on the combination of NBC and VUE
- Vivendi Universal and Vodafone step up their cooperation in France and sign a series of agreements aimed at improving Cegetel Group's performance and at optimizing cash flows with its shareholders
- Agreement on the sale of Canal+ Television AB to an investment consortium (Baker Capital and Nordic Capital)
- Vivendi Universal issues an offering of €605 million bonds exchangeable into shares of Sogecable SA

December

- Vivendi Universal announces the signing of an underwritten agreement for a new five-year unsecured syndicated credit facility for €2.7 billion
- Simplification of Cegetel Group's structure. The new entity becomes both the mobile telecommunications operator and the lead company in the group, taking on the name SFR. Vivendi Universal has a 55.8% interest, Vodafone owns 43.9% and the other 0.3% is held by individual investors. The entity made up of SFR and its subsidiaries, including fixed-line telecommunications operator Cegetel, is now named SFR Cegetel Group
- Vivendi Universal recapitalizes Canal+ Group for an amount of €3 billion through the conversion of an intercompany loan into equity that had no cash impact
- Vivendi Universal reaches a final settlement with the United States Securities and Exchange Commission (SEC). In a Consent Decree, Vivendi Universal agreed, without admitting or denying any liability, not to violate certain specified provisions of the U.S. securities laws in the future. Vivendi Universal also agreed to deposit \$50 million into a "fair fund" established pursuant to the Sarbanes-Oxley Act. The "fair fund" will be distributed to certain Vivendi Universal shareholders under a plan of distribution to be established by the SEC. The SEC did not require Vivendi Universal to restate any of its past financial statements. The settlement concludes an investigation that began in mid-2002
- Merger of Cegetel and Telecom Développement. The new entity, named Cegetel, is owned 65% by SFR and 35% by SNCF (French national railway)

Board of Directors

Executive Director



Jean-René Fourtou
Chairman and CEO of Vivendi Universal
Born June 20, 1939

Non-Executive Directors



Claude Bébéar
Chairman of the Supervisory
Board of AXA
Born July 29, 1935



Gérard Brémont (**)
Chairman and CEO of Pierre et
Vacances Group
Born September 22, 1937



Bertrand Collomb (**)
Chairman and CEO of Lafarge
Born August 14, 1942



Fernando Falcó y
Fernández de Córdova (*) (**)
Former President of Real
Automóvil Club de España
Born May 11, 1939



Paul Fribourg (*) (**)
Chairman and CEO of
ContiGroup Companies
Born February 22, 1954



Gabriel Hawawini (**)
Dean of INSEAD
Born August 29, 1947



Gerard Kleisterlee (*) (**)
Chairman and CEO of Royal
Philips Electronics
Born September 28, 1946



Marie-Josée Kravis (*) (**)
Senior Fellow, Hudson
Institute Inc.
Born September 11, 1949



Henri Lachmann (**)
Chairman, Schneider Electric S.A.
Born September 13, 1938



Pierre Rodocanachi (**)
Chairman of the Advisory Board
of Booz Allen Hamilton
Born October 2, 1938



Karel van Miert (*) (**)
Former Vice-President
of the European
Commission
Born January 17, 1942

Corporate Governance

Board of Directors

Vivendi Universal's Board of Directors met ten times in 2003. The Board is comprised of twelve Directors: ten are Independent Directors (as defined in the Bouton report) and five are not French nationals.

In January 2003, the Board of Directors adopted an Internal Charter which defines the Board's operating rules and conduct to ensure that the company's management adheres to the latest regulations of corporate governance (Sarbanes-Oxley Act, and *Loi de Sécurité Financière* in France).

The Board also reinforced internal control measures and adopted a Code of Financial Ethics, upon the recommendation of the Audit Committee, which applies to all senior executives of Vivendi Universal S.A. with communications or financial and accounting information responsibilities.

Committees

Vivendi Universal's Board of Directors has four permanent and independent committees which report to the Board. The Committees have consultative powers and prepare for the Board's deliberations in their respective areas of competence:

The Strategy and Finance Committee is comprised of a minimum of four non-executive Directors. Any member of the Board can take part in the Strategy and Finance committee's work.

Its current members are: Claude Bébéar (Chairman), Gerard Brémont, Gerard Kleisterlee and Karel van Miert.

Areas of competence: strategy, major asset acquisitions and disposals, significant financial operations, cash and debt management.

The Audit Committee is comprised of a minimum of three independent non-executive Directors with finance or accounting skills. At least one member must be a financial expert (as defined in the Sarbanes-Oxley Act).

Its current members are: Henri Lachmann (Chairman), Gabriel Hawawini, Paul Fribourg and Pierre Rodocanachi.

Areas of competence: examination of company accounts, accounting methods, auditing and internal control.

The Human Resources Committee is comprised of a minimum of three non-executive Directors, the majority of whom must be independent.

Its current members are: Marie-Josée Kravis (Chairwoman), Bertrand Collomb, Fernando Falcó and Paul Fribourg.

Areas of competence: recruitment and remuneration of executive Directors and senior executives, stock option allocations.

The Corporate Governance Committee is comprised of a minimum of three non-executive Directors.

Its current members are: Claude Bébéar (Chairman), Bertrand Collomb, Fernando Falcó and Marie-Josée Kravis.

Areas of competence: independence criteria for Directors, organization of the Board of Directors and the Board's Committees, implementation of the company's corporate governance practices.

The Board of Directors has also set up a **Disclosure Committee** responsible for overseeing and reviewing the preparation and distribution of information regarding the company. Its members are executives of Vivendi Universal and its business units.

(*) Director with non-French nationality
(**) Independent Director

■ Senior management

Chairman and Chief Executive Officer: Jean-René Fourtou

Chief Operating Officer: Jean-Bernard Lévy

Senior Executive Vice President and Chief Financial Officer: Jacques Espinasse

Senior Executive Vice President, Divestitures, Mergers and Acquisitions: Robert de Metz

Senior Executive Vice President, Human Resources, Advisor to the Chairman and Chairman of VU Games: René Pénisson

Executive Vice President and General Counsel: Jean-François Dubos

Executive Vice President, Corporate Communications: Michel Bourgeois

Executive Vice President, Divestitures, Mergers and Acquisitions: Régis Turrini

Corporate governance: legal obligations, recommendations and expectations			Vivendi Universal's performance				
Independence	Directors in relation to management	Presence of at least 30% of independent Directors* on the Board(◆), 50% on the Remuneration Committee(◆) and 100% on the Audit Committee(○)	Board of Directors	Audit Committee	Human Resources Committee	Corporate Governance Committee	Strategy and Finance Committee
			83%	100%	100%	75%	75%
		Maximum term of office of 5 years(◆)	4 years				
	Auditors in relation to management	Publishing the percentage of CEO proposals rejected by Board of Directors(▲)	0%				
		Publishing the breakdown of Auditors' fees, by task(○)	see Form 20-F				
		Publishing the percentage of meetings between Auditors and Directors without management presence(◆)	30%				
Directors toward each other	Publishing the percentage of Directors who have no cross-holdings, no common origins (training, career, family)* (▲) and who do not sit on the same boards	90%					
Involvement in decisions	Directors	Maximum of 5 terms of office (excluding terms of office within the same group and non-French companies) held simultaneously	In compliance				
		Publishing the number of Board meetings and average participation rate of Directors(▲)	10 meetings in 2003 Each Director attended 9 meetings out of 10 on average				
		Publishing the existence of Audit, Nomination and Remuneration Committees(◆)	Audit Committee	Human Resources Committee	Corporate Governance Committee	Strategy and Finance Committee	
		Publishing the number of Committee meetings(◆)	7	6	3	6	
		Publishing the Committee members' participation rate(◆)	85%	100%	100%	78%	
		Assessment of Board's performance every 3 years(◆)	Assessment carried out in 2003 Existence of internal regulations for the Board of Directors and for each of the Committees				
	Shareholders	Publishing Shareholders' Meeting participation rate(▲)	Published the day after the Annual Shareholders' Meeting on www.vivendiuniversal.com				
		Publishing ballot results of the resolutions submitted to shareholders	Published the day after the Annual Shareholders' Meeting on www.vivendiuniversal.com				
	Other stakeholders	Having employees represented by a Director(▲)	Appointment of an employee Director, as defined in the company bylaws, when employee shareholders represent at least 3% of the capital stock				
		Percentage of questions on corporate social responsibility at shareholder meetings(▲)	18% in 2003				
Economic information	Publishing CEO's total remuneration(■)	2,256 million euros**					
	Publishing determination criteria of the CEO's(▲) and senior executives' remuneration	see Form 20-F					
	Publishing the number of stock purchase options allocated(■)	13.9 million subscription options of which 1.5 million were allocated to the Chairman and CEO with 3,475 million corresponding to the 10 biggest allocations					

For additional information, refer to the Form 20-F for 2003.

* As defined by the Bouton Report "... not to be or have been an employee or executive director of a company within the group during the previous five years; not to be under the control of the executive of another company; not to have had commercial relations with one of the company's principal customers or suppliers." Over and beyond the recommendations of the Bouton Report, the extended definition takes into account common university and professional origins, which are found frequently among French Board Directors.

**Total gross remuneration including fringe benefits in 2003; the Chairman and CEO waived his Director's fees regarding his terms of office within the group for 2003.

◆ Viénot or Bouton reports

■ French New Economic Regulations Act (NRE)

○ Sarbanes-Oxley Act

▲ Other issues put forward by stakeholders

Strategy and Sustainable Development



2003 was a year of intense preparation for third generation mobile telephone technology (3G/UMTS), which will bring new multi-media services to consumers.



The Simpsons: Hit & Run, one of the best-selling titles in 2003 from Vivendi Universal Games.

■ Strategy

In 18 months, Vivendi Universal overcame its financial difficulties, met – and in some cases exceeded – its objectives regarding debt reduction, improved operating performance, investments and restructuring plans.

Now refocused on media and telecommunications, Vivendi Universal is in a position to implement a strategy aimed at strengthening its assets in these two sectors, both of which have strong growth potential.

The objectives in the media sector are to increase the group's competitive position and profitability. In telecommunications, Vivendi Universal will make additional capital investments in SFR Cegetel Group and Maroc Telecom, which will enable Vivendi Universal to develop new services and improve its performance.

2003 brought Vivendi Universal many rewards for its efforts. Canal+ Group was turned around and exceeded its target of over 8 million subscriptions in France and increased the satisfaction level of subscribers. SFR's results were excellent in 2003 and for the first time it ranked No. 1 in France in terms of net sales. In addition, the music market in the United States showed signs of improvement.

Vivendi Universal's objective in moving forward is to create value for its shareholders by continuing its policy of growth in media and telecommunications.

Priorities for 2004

- Increase shareholding to 51 % in Maroc Telecom, the No. 1 telecommunications operator in Morocco.
- Create NBC Universal*.
- Pursue Canal+ Group's recovery plan.
- Launch SFR's third-generation (3G) mobile telephone services.
- Pursue Universal Music Group and Vivendi Universal Games' restructuring plans.
- Complete the non-core asset divestiture program.

Changes in Vivendi Universal's consolidation scope

Capital ownership in %	Dec.31,01	Dec.31,02	Dec.31,03
Canal+ Group	100%	100%	100%
Universal Music Group	92%	92%	92%
Vivendi Universal Games	99%	99%	99%
Universal Studios Group	92%	92%	92%
Vivendi Universal Entertainment (VUE)	-	86%	86%*
USA Networks, Inc.	48%	-	-
SFR Cegetel Group	44%	44%	56%
Maroc Telecom	35%	35%	35%
Vivendi Universal Publishing**	100%	-	-
Vizzavi	50%	-	-
VU Net	100%	100%	100%
Elektrim Telekomunikacija	49%	49%	49%
VTI - Kencell	60%	60%	60%***
VTI - Hungary Telecom	100%	100%	-
Veolia Environnement	63%	20%	20%

* Since May 2004, Vivendi Universal holds approximately 20% of NBC Universal, the company created through the combination of VUE and NBC.

** Excluding the Express-Expansion group and Atica & Scipione.

*** Stake sold in May 2004.

■ Contribution to sustainable development

Complying with Vivendi Universal's values is a condition of membership in the group. These values reflect our determination to contribute to sustainable development. The relationships the company builds with its partners, employees, customers, shareholders, suppliers and players in civil society are based on these values. They show Vivendi Universal's commitment to incorporating social and environmental considerations in the growth of its activities.

The group's values

Consumer Focus. Our company's strategic vision is driven by the needs of the consumer. We are committed to anticipating these needs and building consumer loyalty as we create and deliver high-quality services and products that satisfy consumers around the world.

Cultural Diversity. We defend and encourage cultural diversity and different forms of cultural expression. We value the variety of our dynamic content, which represents our heritage and the world's cultural diversity, and we strive to deliver competitively superior services to local markets.

Value Creation. We must deliver consistent revenue and earnings growth, in order to provide our shareholders with true value creation. Our objective is to outperform our competitors. We strive to advance our competitive position by building upon our historical strengths and our commitment to quality in all that we do. Our employees must be allowed to share in this value creation through appropriate programs.

Creativity. We encourage and promote imagination and initiative. We have the highest regard for individual expression and creative freedom. These are important qualities that reflect our enterprising spirit and drive our continued innovation and growth.

Teamwork. Networking our talents and skills is the best tool for developing the creativity and responsiveness consumers deserve. We work together and communicate openly and directly throughout our company in order to maximize our efforts and results as one team.

Ethics. We all observe strict ethical standards: we act with integrity in all situations, respect the law, maintain harmonious and respectful relations with others, protect confidentiality, place professional ethics above consideration of financial performance, protect the company's property and resources and respect the environment. Honoring these ethical standards is a condition for being a part of Vivendi Universal.

Social Responsibility. We place a high priority on maintaining social dialog and social cohesion throughout our company. It is our responsibility to behave as good corporate citizens and to respect our commitments regarding sustainable development. The success of these efforts relies on the personal involvement of our employees.

Putting the group's commitments into practice

Rules of conduct

In January 2002, a Compliance Program reiterating Vivendi Universal's corporate values was submitted to the company's social dialog bodies and adopted by the Board of Directors. All companies directly or indirectly controlled by Vivendi Universal must comply with this program and its rules of conduct. The rules are based in part on the OECD's Guidelines for Multinational Enterprises and apply to issues such as employees' rights, sincerity and protection of information, preventing conflicts of interest, and business and financial ethics. An assessment report on compliance in Vivendi Universal's subsidiaries is prepared annually by the General Counsel and submitted to the Audit Committee.



Love Actually, a Richard Curtis comedy, was highly successful when released in November 2003. This Universal Pictures' film starred, among others, Hugh Grant, Emma Thomson and Rowan Atkinson.



Juanes, a young Colombian artist signed by Universal Music Group, received several prestigious awards in 2003.

Alexis Krajevski, ISIS Asset Management analyst

“In our assessment methods, we give very positive marks to companies where social responsibility is dealt with at the level of the Board of Directors either through a Code of Conduct or the support of an Ethics Committee. We also positively evaluate companies where these issues are dealt with at top management level.”

* ISIS Asset Management is the first socially responsible investment management company in Europe and is a Vivendi Universal shareholder.

Environmental policy

In 2000 Vivendi Universal adopted an environmental policy focusing on:

- the definition of performance targets to reduce the long-term environmental impacts of the group's activities
- the establishment of a strategy to reduce costs and improve operational efficiency
- compliance with the requirements of relevant environmental, occupational, health and safety policies
- the implementation of training and awareness programs
- regular technical audits at Vivendi Universal's most significant sites to ensure that they are operating properly and in compliance with environmental, health and safety standards.

It should be noted that despite changes in the company's structure due to restructuring plans, dedicated teams tracked target-achievement in most of the subsidiaries (see page 20).

Sustainable Development management

A Sustainable Development Director reporting to the Corporate Communications Department coordinates and monitors sustainable development activities with the group's subsidiaries.

In 2003, a Sustainable Development Committee was established to bring together personnel assigned to sustainable development issues in the business units with representatives of several head office departments (General Counsel's office, Finance, Corporate Communications and Public Affairs, Human Resources).

An Environmental Affairs and Safety advisor reports to the Corporate Communications Department and the General Counsel's office. He works with the 19 environmental managers in the business units and at the main sites.

Significant progress in 2003

More input on indicators

One of the committee's priorities was to encourage the business units to participate actively in improving knowledge of the group.

The reporting procedures were improved, and as a result the social and environmental performance indicators covered a broader scope than in 2002 (see pages 19 and 21). Further improvement is expected in the future.

First assessment of the Compliance Program

The first assessment on the implementation of the Compliance Program within Vivendi Universal's subsidiaries was undertaken in 2003. The Sustainable Development Committee contributed to raising awareness about this program.

Objectives for 2004

- Further improvement in the reporting procedures and implementation of the Compliance Program in the subsidiaries
- Deployment of the sustainable development approach at Maroc Telecom
- Reinforcement of the social and environmental responsibility objectives in supplier relations
- Improved measurement of the impact of the group's activities on jobs and development in the regions where the group operates - particularly in developing countries

Economic Responsibility

■ Debt reduction and recovery

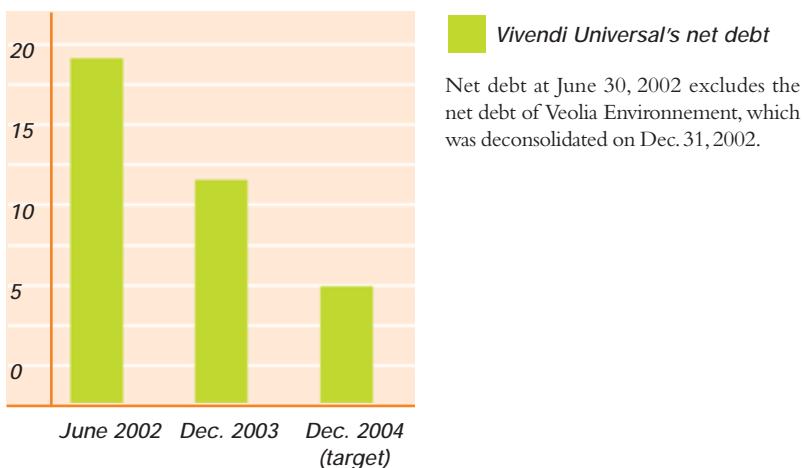
In 2003, Vivendi Universal continued to pursue the refocusing plan it had introduced in the summer of 2002. The plan included asset disposals (€10 billion in asset sales were achieved over that period) and greater cash flows generated by its business activities.

These measures enabled Vivendi Universal's ratings to improve to a level that allows it to borrow on financial markets under optimal conditions.

The year was marked by two important events: a strategic investment of €4 billion in January to strengthen the company's majority shareholding in SFR Cegetel Group and, in October, the signing of an agreement with General Electric on the combination of NBC and Vivendi Universal Entertainment. The new entity, created in May 2004 and called NBC Universal, is approximately 20% held by Vivendi Universal.

These disposals and investments reduced the company's debt to €11.6 billion at December 31, 2003. The target now is to bring it to below €5 billion at end 2004.

Vivendi Universal's net debt (in billions of euros)



Transactions creating substantial value

- Investment in SFR Cegetel Group, a highly profitable activity generating significant cash flows.
- Increased cooperation in France with Vodafone.
- Merger of the fixed-line telecommunications branch of SFR Cegetel Group with Telecom Développement (a subsidiary of SFR Cegetel Group and SNCF, the French national railway company).
- Acquisition of DreamWorks Records.
- Acquisition of an interest in NBC Universal.

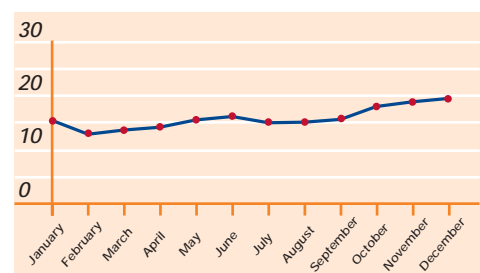
Consequences on jobs

These economic decisions had consequences on jobs. The asset disposals led to a work force reduction of 4,000 people. The restructuring programs involved close to 3,000 staff reductions, primarily in the media sector.



Questions on corporate social responsibility represented 18% of the written and oral questions at the 2003 shareholders' meeting.

Change in Vivendi Universal's share price in 2003 (in euros)



Vivendi Universal's stock is quoted on Euronext Paris as well as on the New York Stock Exchange under the form of American Depositary Shares. On December 31, 2003, the share price in Paris was €19.27 (+25% compared with December 31, 2002).

Dividends

In euros	2000	2001	2002	2003
Net dividend per share	1.00	1.00	0	0
Date of payment	May 2, 01	May 13, 02	N/A	N/A
Total payment (in millions of euros)	1,081	1,088	0	0

Vivendi Universal did not pay any dividend in relation to fiscal years 2002 and 2003. The objective is to be in a position to pay a dividend in relation to fiscal year 2004.



Vivendi Universal, in partnership with the CNAC and the CLIC, organized a seminar to raise awareness about the electronic piracy of cultural content on December 4, 2003, at the Olympia concert hall in Paris. Close to 200 elected officials, music and motion-picture professionals, journalists and students attended this seminar aimed at demonstrating to lawmakers the urgency of legislation governing the Internet and new digital services, and the need to adopt the European directives on intellectual property. Above: demonstration session.

Nicolas Seydoux, Chairman of Gaumont and of the French broadcasting piracy protection association (ALPA)

“A ‘small’ French film costs €3 million to make. A major French film costs €30 million, and an American film can run anywhere from €80 million to €200 million. The global motion picture industry lives off a very small number of films, about a hundred, which allows their producers to make more films. If the films are pirated and do not bring in all that they should, the entire motion picture chain comes to a halt.*”

* Olympia concert hall, Paris, December 4, 2003.

■ Piracy

Unauthorized copying and piracy are major issues in the media industry as they seriously undermine a cornerstone of economic development: intellectual property.

Illegal file sharing via the Internet of musical, movie and video game content jeopardizes artistic creation and cultural industries.

According to estimates by IDATE, in 2003 nearly 150 billion music files (compared with 50 billion physical recordings sold), 1 billion films on DVD and 550 million images were traded over peer-to-peer* digital networks. This trend is directly related to increased penetration of broadband access in households.

For 2002, the International Federation for the Phonographic Industry (IFPI) estimated worldwide sales of pirate recordings at \$4.6 billion (this figure represents sales at pirate prices). Sales of pirate CDs more than doubled between 1999 and 2002, going from 510 million to 1.1 billion units (1.8 billion including tapes). Sales of pirate CDs rose 14 % in 2002. Two out of every five recordings sold are illegal copies.

In the video-game industry, revenue loss in 2002 due to piracy was estimated at \$5 billion in Asia, \$3.2 billion in Western Europe and \$2.3 billion in North America (source: BSA, Trends in Software Piracy, June 2003).

As a content producer and distributor, Vivendi Universal is directly concerned by this issue and is tackling it on several fronts by:

- developing legal offerings and online alternative services that respect intellectual property
- appealing to governments to reinforce the legal framework
- explaining the dangers of piracy to consumers
- suing infringers.

In a partnership with the French anti-piracy committee (CNAC) and cultural industries liaison committee (CLIC), Vivendi Universal organized a seminar on electronic piracy of cultural content (see boxed item). Vivendi Universal intends to continue this type of public dialog to make Internet users aware of piracy issues in the hope that consumers will avoid encouraging illegal trade in cultural content.

The strategies implemented by Vivendi Universal's subsidiaries to combat piracy employ substantial financial and human resources.

Canal+ Group

For several years, Canal+ Group has been using technology watch, technological innovation and legal action against infringers to fight piracy. These are some of the group's initiatives:

- in 2002, CK2 Security was created in Sophia Antipolis, France. It is the only technology watch and research center of its type in Europe
- two million smart cards for the digital terminals used by CanalSatellite and Canal+ digital subscribers were changed in October 2002
- certain signals were super-encrypted in December 2003 in order to put an end to the piracy of satellite programs, which is especially popular in North Africa
- Canal+ Group has been filing an average of about 10 complaints a month, which generally result in firm prison sentences. The law provides for penalties of up to two years of imprisonment and up to seven in the case of organized crime, plus a fine of €30,000
- Web sites pirating Canal+ and CanalSatellite have been closed down and their administrators have been arrested through action with ALPA (French broadcasting piracy protection association) and SCTIP (international police technical cooperation service). The number of such sites has dropped from the 380 inventoried two years ago to about 10 today.

*The exchange of files between internet users who connect directly to each other without using a central server.

Universal Music Group

Universal Music Group (UMG) is actively involved in the recording industry's campaign, which combines three approaches.

Expanding paid online music services

UMG supports legitimate online services that protect intellectual property rights, guarantee payment to songwriters, composers, publishers and artists, and meet consumer expectations. UMG is offering more and more of its catalog to services such as buy-music.com, FNAC, HMV, i-Tunes, MSN, MTV, Rhapsody, Virgin Mega, Wal-Mart, Wanadoo, etc., with over 400,000 tracks across all musical genres available in the first half of 2004.

In France, Universal Music launched its own service, e-compil, as early as 2001 bringing together the catalogs of major record companies and independent labels. www.e-compil.fr was the No. 1 pay-to-download site at the end of 2003, with over 700,000 tracks downloaded since its creation.

Information campaign

This aspect of the campaign focuses on explaining to consumers how the music sector operates and the talent that goes into it, from the songwriters, composers and artists to the producers, graphic artists, photographers and video clip producers.

In Europe, 600,000 people (100,000 in France) work in the music industry. The purpose of this campaign is to show that "free music" is not sustainable, that cultural diversity and creation are endangered if the sector as a whole is unbalanced and that certain players, deprived of the payment they are entitled to, will disappear. The group also wants to draw attention to the fact that peer-to-peer networks can entail security problems: other users can infiltrate hard disks and steal personal information, and there is no protection against undesired content. An international alliance of artists (musicians, artists and songwriters) and the recording industry (major record companies, independent labels and retailers) create and encourage educational sites, such as www.pro-music.org (the first transnational initiative of this type).

Legal action

Universal Music Group cooperates with industry organizations such as IFPI or RIAA (Recording Industry Association of America) in taking legal action against infringers and online pirates to show that piracy is unacceptable and to discourage others from stealing artistic content. In the United States in 2003 and in the first quarter of 2004, 2,500 cases received media attention, helping to boost legitimate CD sales.

Vivendi Universal Games

Vivendi Universal Games (VU Games) is implementing an anti-piracy program managed by a specialized team. The program includes the integration of copy-protection technology, the introduction of strict security procedures in studios and game-duplication facilities, the simultaneous launch of major titles globally and procedures to close down Web sites that sell or distribute illegal copies of VU Games' products.

SFR Cegetel Group

As a telecommunications operator, SFR Cegetel Group is particularly aware of these issues. Its objective is to integrate secure access to protected content in the development of new third-generation mobile telephony services.

François d'Aubert, French Minister for Research

"Since piracy undermines capacity to invest in artistic creation and, consequently, in the whole distribution infrastructure, legislation is needed to protect the profitability of entities distributing such products, whether they are major corporations, retailers or CD publishers. The two main provisions in the draft legislation on copyright and related protection, excluding the provision for disabled people, are designed to better control the use of private copies and strengthen the measures to stamp out piracy.*"

* Olympia concert hall, Paris, December 4, 2003.

Gilles Bressand, President of the French recording industry association (SNEP)

"In France, piracy reduces revenues and margins, resulting in less artistic creation. [...] the fact is that recording companies, both big and small, play a role in creation. In France, as in the rest of the world, all of the organizations invest in development and new artists. One out of every two recordings sold in France is produced in France, making this country something of an exception.

"The first victims of reduced margins are the newcomers, since the margins on their products are already the lowest and the commercial risk the greatest. When sales are weak for a first album, which is also widely pirated, no one is interested in recording a second album.

"This also has serious effects on French production. Multinationals are going to concentrate on artists with a wide following, in other words, international stars. And this may jeopardize French production.*"

* Olympia concert hall, Paris, December 4, 2003.

Economic impact

The table below shows how the company's revenues are shared between the various stakeholders.

In millions of euros	2003
TOTAL REVENUES	25,482
Revenues from the sale of services	12,933
Revenues from the sale of products	11,721
Revenues from other activities	828
INCOME KEPT WITHIN THE COMPANY BEFORE RE-INVESTMENTS	3,503
Charges to depreciation, amortization, provisions, other expenses	3,503
INCOME REDISTRIBUTED TO STAKEHOLDERS	21,979
Employees, suppliers, community and indirect taxes	20,326
<i>Wages and other expenses related to employees</i>	<i>2,767</i>
<i>Research and development expenses</i>	<i>170</i>
<i>Suppliers or service providers (distribution, program purchases, royalties, subscriber management, etc.)</i>	<i>17,207</i>
<i>Other</i>	<i>182</i>
Tax administration (taxes paid in cash)	1,242
Investors and banks (financing cost)	698
Dividends paid to shareholders	0
Capital gains on asset disposals	-287

North-South cooperation

Although Vivendi Universal does not have a significant presence in developing countries, the group's approach to sustainable development includes cooperating with public and private players and NGOs in these countries in order to support their activities.

Economic cooperation: SATCOM in Cameroon

Multi TV Afrique, a subsidiary of Media Overseas (a wholly owned subsidiary of Canal+ Group), offers its 140,000 subscribers in west and central Africa over 40 TV channels and radio stations via the CanalSatellite Horizons package. The subscriptions are marketed by a network of local distributors with which Multi TV Afrique has had a relationship since the launch of the Canal+ Horizons direct satellite channel in 1992.

These distributors carry out several activities:

- managing distribution networks (sales force, marketing and communications)
- managing the subscriber pools
- installing antennas.

It is estimated that Multi TV Afrique generates 600 direct jobs in sub-Saharan Africa and pays close to FCFA 3.5 billion (over €5 million) – through its subsidiaries and distributors – in income and other tax, customs duties and value-added taxes to local governments.

SATCOM, which operates in Cameroon, is a good example of a distributor's impact on jobs and local development.

SATCOM is now a company with 40 employees against five employees four years ago. The per-month average wage of a SATCOM employee is CFA 130,000 (or €198) compared with the national average of FCFA 70,000 (or €107). SATCOM's operations have created indirect jobs in about 50 companies responsible for product promotion and antenna installation.

In terms of regional development, SATCOM enables its employees, whose average age is under 30, to be trained by Multi TV Afrique and to discover new job opportunities. Regarding the financial contribution, SATCOM generates regular and significant tax revenues for the Cameroonian state through the tax on subscriptions and taxes and custom duties on equipment (CFA 175 million per year or €265,000).

Cooperation with NGOs

Pésinet

Vivendi Universal has been supporting the Pésinet program ever since its launch in January 2000. The program was established by Afrique Initiatives to help improve the health of children in Africa.

Launched in Saint-Louis, Senegal, the program enables doctors to use new technologies to monitor the health of children up to the age of five whose parents subscribe to the program. An inexpensive subscription fee entitles the parents to two visits a week by agents who weigh their children and provide contact with a doctor via the Internet. In 2003, doctors monitored the weight of close to 2,000 children and responded immediately to any warning signs by informing the parents that their child needed medical attention. A visit to the doctor is included in the subscription fee.

The Pésinet program was so successful (*see boxed item*) that Afrique Initiatives received support from UNESCO to establish similar health awareness and education services in other African cities.

Pésinet was selected as one of the best applications of new technologies for development at the World Summit on the Information Society held in Geneva in December 2003.

Volunteering

Vivendi Universal has been supporting international assignments in which its employees volunteer to put their skills in training, consulting and auditing at the disposal of NGOs working in the field. The first assignments carried out in 2003 allowed the expectations of employees and organizations to be better met and were valuable in defining long-term cooperation.

PlaNet Finance has been supporting “banks for the poor” since 1998. These microfinance institutions can be any kind of organization (NGO, cooperative, financial institution, etc.) which develops microcredit programs. Besides its general support for financing, Vivendi Universal is directly involved in programs of training and technical support for microfinance institutions (MFI). One of the biggest MFIs, the Zakoura Foundation in Morocco (with over 60,000 loans of from €50 to €500 and some 500 employees throughout the country) benefited from the skills of a Vivendi Universal group employee to help it create a human resources structure capable of developing internal regulations and staff management tools (*see boxed item*).

Results of the Pésinet program

- Widespread use of a doctor's services
- Identification of the main pathologies (digestive 45%, respiratory 35%, dermatological 15%)
- Prevention of epidemics
- Vaccinations



Families in a district of Saint-Louis in Senegal learn about Pésinet.

Didier Krumm, Director of Training and Technical Support, PlaNet Finance

“We began with the simple idea that corporate expertise and skills could be adapted and transposed to microfinance institutions. We put this idea into practice with Isabelle Michalak-Colombat, a Maroc Telecom employee. She had exactly what was needed to carry out the technical support mission. This positive experience showed that companies can involve their employees in development projects.”

Employees' rights

The Safety at Work Charter expresses the commitment to enforcing the International Labor Organization's safety standards, as well as those contained in local labor legislation when it provides greater protection.

The Fundamental Social Rights Charter provides a reminder of the group's firm commitment to the fundamental labor rights as defined by the International Labor Organization: prohibition of child labor, prohibition of forced labor of detained persons or convicts and prohibition of discrimination based on union membership.

NC Numéricable and job mobility

NC Numéricable, a Canal+ Group subsidiary, developed a job-mobility tool called "La Découverte des métiers" describing career-development opportunities within the company and distributed internally. Employee response to the program, which was launched in 2002 on a voluntary basis, was excellent, and the program was extended into 2003. Management's objectives were to respond to the company's changing activities, address the need for skills and meet employee expectations. At the same time, managers assessed the capacity of employees who had followed training programs to switch from one business to another. This initiative won NC Numéricable an award in telecom labor relations from Unetel and MV4.

Social Responsibility

Vivendi Universal ensures that its charters and values are complied with by all of the subsidiaries it controls. The Safety at Work and Fundamental Social Rights charters (see boxed item) express Vivendi Universal's commitment to employees that the standards set by the International Labor Organization (ILO) are respected.

Beyond this common company-wide requirement, each business unit is given autonomy in human resources management.

■ Social dialog and business unit initiatives

Both the Corporate Works Committee and European Social Dialog Committee are regularly informed of major changes in the company.

In 2003, many meetings took place between management and the expanded boards of the Corporate Works Committee and European Social Dialog Committee, resulting in a productive exchange of ideas on the company's strategy and financial situation.

These committees were adapted to the company's new perimeter with the unanimous consent of all of the trade union and personnel representatives. An agreement was reached on the configuration and operation of the Corporate Works Committee, and talks are under way concerning the European Social Dialog Committee.

UMG-USA: respectful workplace training

UMG is committed to creating a culture that respects and develops the individual employee. Every other year, the company provides managers and their teams with training to make sure that employees understand the importance and value of diversity in the company. Diversity is a cornerstone of the culture at UMG. Participants in the program are given an overview of all of the laws and company policies related to non-discrimination. They are also given an opportunity to share their own experiences and concerns.

SFR Cegetel Group: better integration of the disabled

In November 2002, SFR Cegetel Group signed a company-wide agreement aimed at hiring more disabled people and allowing disabled employees to remain in their jobs. A committee was created in January 2003 to steer the implementation of the agreement. During the year, the company hired 43 disabled people and broadened its partnership with sheltered workshops. Orders with a volume of over €100,000 are now being handled in liaison with the company's purchasing managers by sheltered workshops.

Awareness actions, aimed at all employees, were carried out through a mentoring program.

Other initiatives are carried out with the HandicapZéro non-profit organization, which SFR has been supporting since 1997. For example, SFR publishes its information materials in Braille or large print and, since 2003, has been providing an easy-reading option on its Internet site for the visually impaired. In partnership with HandicapZéro, SFR also launched Mobile Accessibility, a software program that converts the essential functions of mobile phones into voice mode. SFR is the only operator offering this service free of charge to its customers.

Work and family balance

A good balance between working time and private time is a concern for many of the group's employees. In certain subsidiaries, the average employee is 35 years old or less.

A February 2004 study by the British newspaper the *Sunday Times* and the U.K.'s Trade and Industry Department rated Universal Music U.K. eighth out of the 100 British companies offering the best working conditions. Among Universal Music's most innovative special practices are those for mothers, who receive a bonus when they return from maternity leave, and for fathers, who can take a two-week paid paternity leave.

SFR Cegetel Group signed a company-wide agreement in 2003 on gender equality. One of the provisions allows fathers who take 11 working days of paternity leave to receive benefits which, combined with their French social security allowance, make up their gross salary. Another provision allows employees who have taken over a year of parental leave to enroll in training and gradually return to their previous activity.

In 2003, VU Games deployed support for employees wishing to adopt a child. In addition to a financial contribution covering the cost of formalities and transportation, the company grants employees leave-time to spend with their newly adopted child.

Employee shareholding and investment programs

In 2003, the group continued its employee shareholding and investment programs while continuing to diversify the range of savings funds offered.

More shares reserved for employees

A capital increase reserved for Vivendi Universal employees in France and seven other European countries took place in 2003 as part of the employee stock purchase plan (PEG).

The share issue was approved by the Board Meeting of April 29, 2003, and the capital increase became effective on July 24. Close to €12 million worth of share capital was purchased, representing one million new shares.

Two new diversified mutual funds

When Vivendi Universal's PEG was modified on May 16, 2003, two new investment options were added in the form of diversified corporate mutual funds: an "international equities" fund diversified over the major financial markets and a "balanced fund" comprising equities and interest-bearing instruments, which has been approved by the Joint Union Committee on Employee Stock Purchase Plans.

The "balanced fund", called Arcancia Label Equilibre et Solidaire, was designed and is managed by Société Générale Asset Management. Part of it is invested in shares of companies in the solidarity economy that have been certified as "solidarity companies" by the French Ministry of Employment.

"Pegasus" employee stock purchase plan: early redemption in certain countries

Following the deconsolidation of Vivendi Universal Publishing and Veolia Environnement, the Pegasus programs, established in 2000 in the United States, Canada, Singapore, Malaysia and South Korea, were wound up in 2003 instead of 2005. As a result, the deconsolidated companies' employee-investors earned an annual return of at least 5%.



In 2003, 37.4% of Vivendi Universal employees received training in safety.



The SFR Cegetel Group, in partnership with the HandicapZéro non-profit organization, is taking action to make mobile phones easier to use for the blind or visually impaired.

■ Employment preservation programs and reclassification measures

The restructuring initiated in July 2002 to tackle the group's financial difficulties led the business units to implement employment preservation programs. Staff reductions were accompanied by quantitative and qualitative measures that went beyond legal requirements and the group's contractual obligations. In 2003, staff reductions on economic grounds were greater than in 2002. The following table covers 100% of the group's workforce in 2003.

	Date the employment preservation program began	Number of redundancies at Dec. 31, 2003
Canal+ Group	June	150
Universal Music Group	June	1,306
Vivendi Universal Games	February	256
Vivendi Universal Entertainment	January	406
SFR Cegetel Group	-	-
Maroc Telecom	-	-
Vivendi Telecom International	July	26
VU Net	February	560
Other	January	219
Total		2,923

In consultation with unions, measures for reclassification and assistance were offered to employees affected by restructuring in France:

- internal job mobility: internal vacancies were posted on the corporate intranet,
- reclassification leave
- training leave to enable employees to increase their qualification level
- assistance for employees to create their own business
- outplacement services.

Vivendi Universal also established reclassification measures for employees outside France.

Canal+ Group: employment preservation program

Canal+ Group and its largest unions signed an agreement in March 2003 on the method for negotiating the management of job issues. The procedure, which was made possible by a French law (the Fillon Act) enacted in January 2003, ensures in-depth workforce consultation on the development and implementation of a restructuring plan. An "agreement on method" is the first step toward a custom-built procedure adapted to the circumstances of a company and its labor-management relations.

With the "agreement on method" concluded under its strategic recovery plan, Canal+ Group was able from the outset to establish the timetable for operations, define roles and duties, set the resources allocated to the company's Works Committee and define the manner of handling various issues. This framework encouraged dialog rather than procedural wrangling, and the Works Committee consultation process ended with an agreement on the workforce protection measures of the employment preservation program on June 23. Canal+ Group's management also signed an agreement with unions on the redundancy conditions for long-term temporary workers.

Social performance indicators

The information given in the table below for 2003 refers to the company's worldwide operations and comes from business units in which Vivendi Universal has more than a 50% interest or in which Vivendi Universal has less than a 50% interest but has management control.

Our procedure for information collection and reporting is based primarily on France's New Economic Regulation Act (NRE) and the guidelines of the Global Reporting Initiative (GRI).

Our efforts to expand the indicators' scope resulted in considerable improvements compared to 2002. As a result, this table does not include 2002 data which, given the changes in the percentage of staff covered, could not meaningfully be compared with 2003 data.

Information required by French NRE law	2003 Data	% of staff covered 2002	% of staff covered 2003	Comments or references	Equivalent GRI indicator
Total staff	55,451	100%	100%	The number of employees fell from 61,815 in 2002 (excluding Atica & Scipione) to 55,451 in 2003. The decrease was due to asset disposals and restructuring plans.	LA 1
People hired	9,861	100%	100%	Many of the hirings at VUE and VU Games, particularly in the United States, correspond to short-term and seasonal employment.	LA 1
Temporary hirings (France only)	53%	-	100%	The notion of temporary and permanent hiring does not apply to all the business units.	
Permanent hirings (France only)	47%	-	100%	This information is given for France, where 2,255 people were hired in 2003.	
Recruitment difficulties	-	-	-	None of the subsidiaries reported any particular difficulties in recruitment.	
Staff reductions	12,708	-	100%		
on economic grounds	2,923	56%	100%	See table opposite.	
for other reasons	9,785	-	100%	The primary reasons for departures were personal, disciplinary, and targets not met (United States).	
Staff reduction and employment preservation plans	-	56%	100%	See table on employment preservation programs, opposite.	
Assistance measures	-	-	-	See table on employment preservation programs, opposite.	
Working week	38.3 hours	22%	100%	Measurement of working hours varies from country to country.	
Full and part-time employees	-	-	-	It was not possible to distinguish between the working week for full and part-time workers across the company.	
Overtime	949,775	55%	78%	Overtime refers to hours beyond the contractual number. 83.4% of the overtime was in the United States.	
Absenteeism	7.9 days/employee	33%	83%	Absence on any working day, excluding paid vacation time, training days and, in France, time off for union activities.	LA 7
Reasons for absence	-	33%	83%	The main reasons cited were illness, maternity and parental leave and personal motives.	
Wages and related costs	€2,767 million	100%	100%	Including profit-sharing plans.	EC 5
Gender equality					
% of women in the group	41%	56%	100%		LA 11
% of women in managerial positions	38%	56%	100%		LA 11
Labor relations and collective agreements	83 new agreements signed and 35 renewals	56%	100%	The agreements mainly concern negotiations on remuneration, pension plans, job mobility, benefits, safety, working conditions, non-discrimination and overtime.	LA 3 LA 4
Social activities (France only)	€5,231,293	-	100%	In France, the notion of social activities includes social and cultural events organized in the company primarily for the employees and their families. This information was reported for the first time this year in France but because of its complexity could not be measured group-wide.	
Health and safety conditions	-	85%	100%		
Employees trained in safety	20,724	-	100%	20,724 employees (37.4% of the total work force) were trained in safety in 2003, including all of VUE's theme park employees.	
Workplace accident rate (with lost days)	8.14%	85%	100%	The accident rate was much lower than in 2002 (9.37%), but one fatal accident occurred. The overall reduction was due to improved safety measures, especially in the theme parks. Calculation method: $\frac{\text{number of workplace accidents with time off} \times 1,000,000}{\text{employees} \times \text{the number of hours theoretically worked per year (estimated at 1,750)}}$	LA 5
Seriousness of accidents (with lost days)	0.18%	85%	100%	The seriousness of workplace accidents (with time off) fell to 0.18% in 2003 from 0.26% in 2002. Calculation method: $\frac{\text{number of working days lost} \times 1,000}{\text{employees} \times \text{the number of hours theoretically worked per year (estimated at 1,750)}}$	LA 7
Training	-	-	-		LA 9
Training expenditure/payroll	1.9%	34%	100%	The apparent reduction from previous years is due to differences in the percentage of staff covered.	
Average training duration/ number of employees	6.6 hours	-	99%		
Disabled persons employed	202 employees	48%	65%	The definition of a "disabled person" is based on each country's laws. When there are no applicable laws, the definition given in Convention No. 159 of the International Labor Organization is used. In 2003, SFR Cegetel Group signed its own agreement on the hiring and integration of disabled persons, designed to increase the number hired in the next three years.	
Subcontracting and use of external resources	4,627	-	84%	Subcontracting, interim employees and consultants hired through placement agencies.	

Environmental Responsibility

From 1999, Vivendi Universal began to measure the long-term effects of its activities on the environment and to describe them in a report. Although such impacts are limited, this pioneering approach in the media and telecommunications sector makes it possible to assess the progress made in contributing to sustainable development.

Targets and performance

Vivendi Universal set four performance targets for the 2001-2006 period:

- climate: reduce carbon dioxide emissions by 10 %
- water: reduce water consumption by 5 %
- waste: reduce waste production by 10 %
- landscape: integrate sites and activities as harmoniously as possible into their natural environment.

Performance target monitoring

Carbon dioxide emissions (in millions of kilograms)

Business segments	2001	2002	2001/2002 variance	2003	2002/2003 variance
Telecommunications	5.30	5.66	+6.79 %	4.29	-24.20 %
Music	104.06	92.23	-11.37 %	86.44	-6.28 %
TV & Film	294.50	292.37	-0.72 %	264.63	-9.49 %
Corporate	5.95	5.14	-13.61 %	1.72	-66.54 %

Water consumption (in thousands of cubic meters)

Business segments	2001	2002	2001/2002 variance	2003	2002/2003 variance
Telecommunications	44.97	75.55	+68.00 %	84.52	+11.87 %
Music	155.98	254.31	+63.04 %	213.52	-16.04 %
TV & Film	5,000.50	5,684.20	+13.68 %	5,540.70	-2.52 %
Corporate	58.96	58.10	-1.46 %	51.35	-11.62 %

Waste production (in metric tons)

Business segments	2001	2002	2001/2002 variance	2003	2002/2003 variance
Telecommunications	2,764.50	1,232.44	-55.42 %	664.31	-46.10 %
Music	5,069.30	3,129.53	-38.27 %	2,455.00	-21.55 %
TV & Film	18,185.30	13,951.09	-23.28 %	15,476.87	+10.94 %
Corporate	328.10	231.05	-29.58 %	231.10	+0.02 %

Compliance with environmental, health and safety standards

Vivendi Universal has adopted a program of compliance with environmental, health and safety standards at work. Every three years, the principal sites undergo a rigorous environmental assessment by internal specialists and independent environmental consultants. A report is written on non-compliant areas, which are monitored until the problems are solved. Certain sites are assessed more frequently, depending on their previous performance in this area and/or their operational expansion.

During 2003, Vivendi Universal received five notices of violation (administrative fines) relating to the environment, health and safety.

The Los Angeles Regional Water Quality Control Board ordered Universal Studios to pay an administrative fine of \$128,000, because Universal City (California) had overstepped the permitted limits for contaminated water discharges into the Los Angeles River between 2000 and 2002. In addition to the fine, Universal Studios agreed to finance two other projects for a total cost of \$130,000.

CalOSHA, the California Occupational Safety and Health Administration, presented notices of violation on three occasions to the Universal Studios Hollywood theme park for an accident involving an employee. The three fines totaled \$2,500. Universal Studios Hollywood contested the notices and is appealing.

CalOSHA presented a notice of violation to Universal Pictures for infringing construction regulations on an external film site. Universal Pictures paid a fine of \$275.

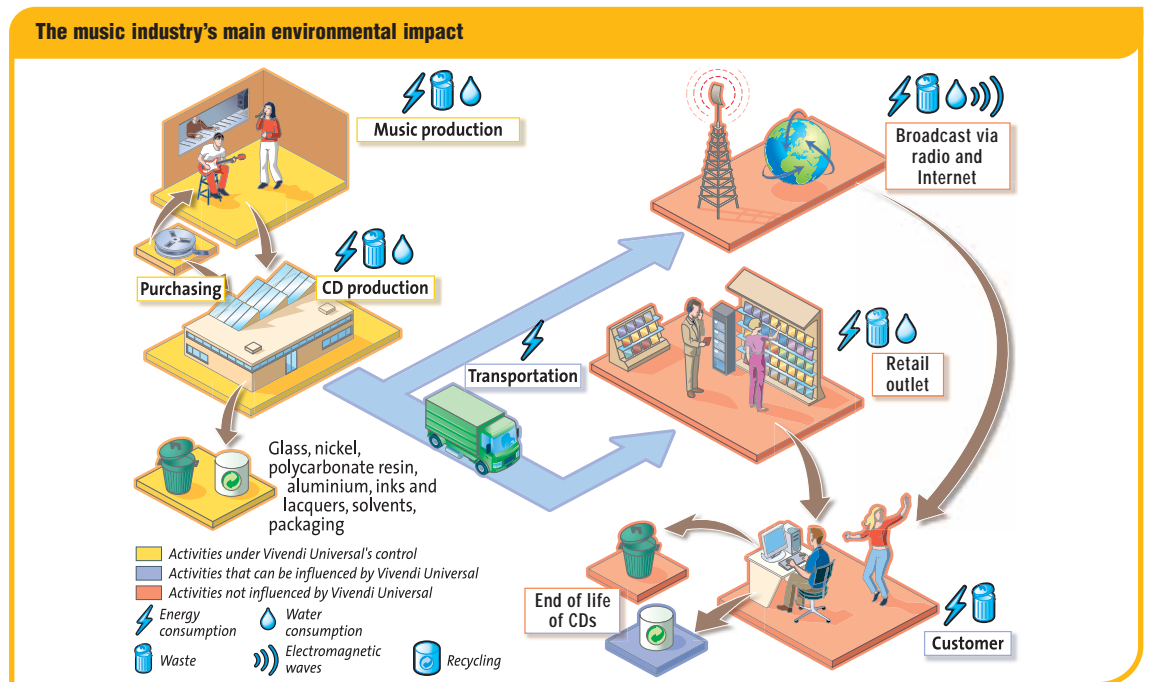
■ Environmental performance indicators

Vivendi Universal has fully integrated the provisions of France's NRE (New Economic Regulations) act and GRI (Global Reporting Initiative) guidelines into its environmental reporting.

The data presented in this table concerns Vivendi Universal's most significant sites, mainly located in France, Germany, the United Kingdom, Spain and the United States. Data for VU Games and Maroc Telecom was not included in the reporting scope in 2003. One of Vivendi Universal's objectives is to collect this data for 2004.

Environmental information required by NRE	Data	Comments or references	Equivalent GRI indicator
Water consumption (in thousands of cubic meters)	5,890.09	The water consumption increase in 2002 and 2003 compared with 2001 was mainly due to the opening of the Costa Caribe water park in Spain in 2002.	EN5 EN22
Energy consumption (in kWh)	572,854,790	Energy conservation programs are in place. Three pilot projects for the use of renewable energies are running in theme parks. In 2002, consumption amounted to 634,987,480 kWh.	EN3 EN4 EN17
CO ₂ emissions (in millions of kgs)	357.08	This figure is obtained from the energy, fuel and gas consumption of the main sites. This came to 395.40 in 2002.	EN30 EN8
Waste production (in metric tons)	18,827.28		EN11
Measures taken to limit the impacts on biological stability, natural environment, protected species and wildlife		Vivendi Universal's global operations have a relatively low impact on the environment as regards this requirement, apart from one site in North America	EN6
Environmental assessment or certification	ISO 14001 and EMAS	Vivendi Universal has an environmental assessment program. Two sites in North America received ISO 14001 certification and two sites in Spain were EMAS-certified in 2003.	
Measures taken to ensure compliance with environmental regulation and legislation	Audits followed by assessments and corrective measures	Vivendi Universal undertakes audits to ensure that all its principal sites comply with environmental laws and regulations. In 2003, the company carried out six audits on sites (mainly theme parks and CD plants) in the United States (2), Japan (1), Germany (1), the United Kingdom (1) and Spain (1).	
Company expenditures for prevention of environmental impacts	€12.25 million	This figure includes internal programs and environmental protection related expenditures at each site.	EM35
Existence within the company of internal environmental management staff, training and information on environmental issues for employees, resources devoted to the reduction of environmental risks as well as a procedure to manage environment-related accidents which have a consequence outside the company	Staff numbers: - Corporate (Paris head office and New York office): 1 - Business units: 8 - Sites: 19	Vivendi Universal's corporate headquarters, business units and main sites employ one or several people to ensure efficient environmental management. Furthermore, at all the major sites, emergency teams are trained to take action in the event of an accident or pollution release likely to damage the environment.	
Amount of environmental risk provisions and guarantees except in the case where this information may prejudice the company in a current dispute or lawsuit		No former or present Vivendi Universal site or entity needed to raise environmental risk provisions or guarantees for 2003.	EM35
Amount of compensation paid during the financial year arising from a court ruling relating to environmental matters and the actions undertaken to repair environmental damage		In 2003, Vivendi Universal paid no compensation arising from a court ruling. The company received five notices of violation (see opposite page).	

Business unit initiatives



Universal Music reduces its impact on the environment and its costs in the United Kingdom

Universal Music Group in the United Kingdom (UMUK) has been committed to environmental protection for many years. UMUK was one of the first U.K. companies to adhere to the "Making a Corporate Commitment" program launched by the Ministry of the Environment in 2001. In 2003, results clearly showed the efficiency of the measures adopted by UMUK. Over the previous three years, an 80% reduction in waste enabled savings of £99,000, and a 30% drop in gas consumption (the equivalent of 912 metric tons of CO₂) saved £60,000.

This strategy arose from management's resolve which was put into action by a "green team" consisting of operations staff and human resources managers from each site. UMUK uses this approach to transmit the governmental initiative to its employees, involving them in a shared project which aims to reduce the company's impact on the environment.

UMG in Hanover: recycling benefits

UMG's plant in Hanover, Germany, produces 130 million CDs a year (i.e., 700,000 CDs per day). It is the only plant in the world that presses CDs using CDs recycled by an entirely mechanical process that makes it possible to reintegrate recovered materials directly into the production line. More than 10% of the materials needed to manufacture new CDs come from recycled CDs.

The Hanover site collects and sorts over 60 different materials, enabling it to recycle more than 90% of its waste. In 2003, results were highly positive in financial terms, as revenues from recycling were higher than investments in waste processing and environmental protection (for example, 90% of the solvents used are recycled).

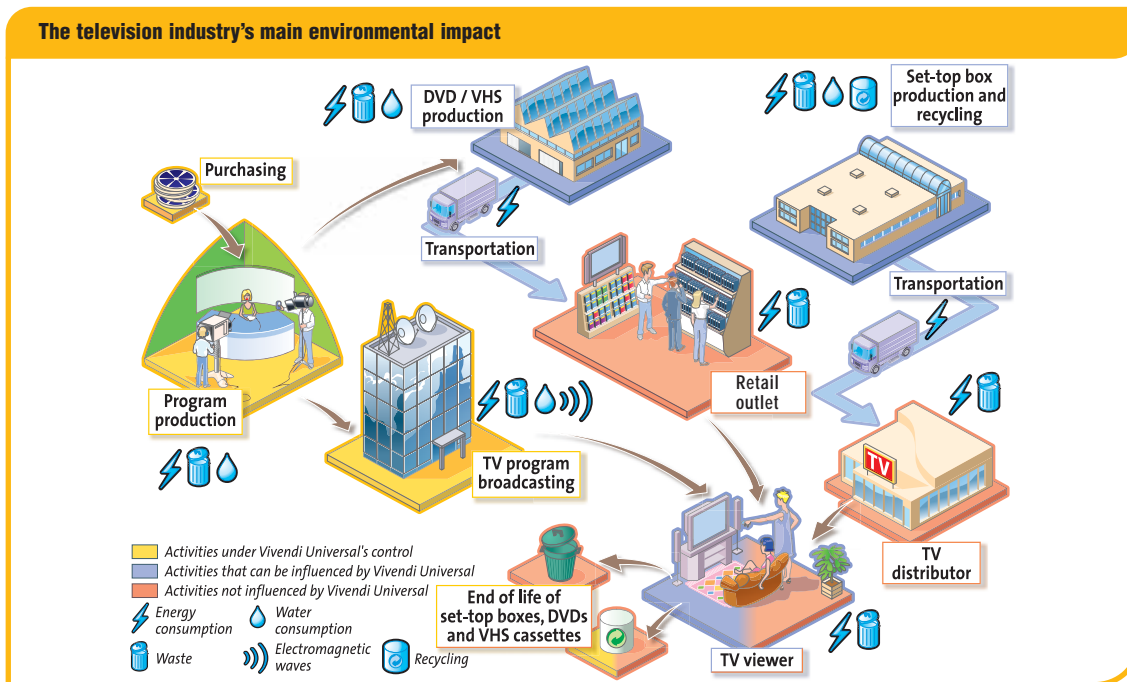


UMG's plant in Hanover, Germany, uses a totally mechanized method to recycle compact discs.

Monitoring of Universal Music Group's performance targets

	2001	2002	2001/2002 variance	2003	2002/2003 variance
Carbon dioxide emissions (in millions of kilograms)	104.06	92.23	-11.37%	86.44	-6.28%
Water consumption (in thousands of cubic meters)	155.98	254.31	+63.04%	213.52	-16.04%
Waste production (in metric tons)	5,069.30	3,129.53	-38.27%	2,455.00	-21.55%

2003 data covers 90% of UMG's principal business sites.



Canal+ Group recycles its set-top boxes

The Canal+ Group has a stock of analog and digital set-top boxes that it rents out to its subscribers. The analog set-top boxes consist of around 3 million “Syster” terminals, introduced for the first time in December 1990. The stock of digital “Mediasat” terminals has been in use since 1996.

After they are returned by subscribers, most set-top boxes are recycled and used again by other subscribers. In 2003, the service provider in charge of this process recycled 78% of the Systems and 92% of the Mediasats it received. Only 8% of the Systems and 5% of the Mediasats were destroyed. The service provider guarantees Canal+ Group that it only uses products that comply with European standards in force at the time when services are carried out, especially concerning mercury, cadmium, hexavalent chrome and lead. It also guarantees compliance with waste processing standards.



According to the “Code of Conduct” published by the European Commission, Pilotime, containing an internal hard disk and double tuner, should consume less than 8.4 watts in standby mode. As the Pilotime specification is 5 watts maximum in standby mode, it is well below the level stipulated.

Reduced energy consumption

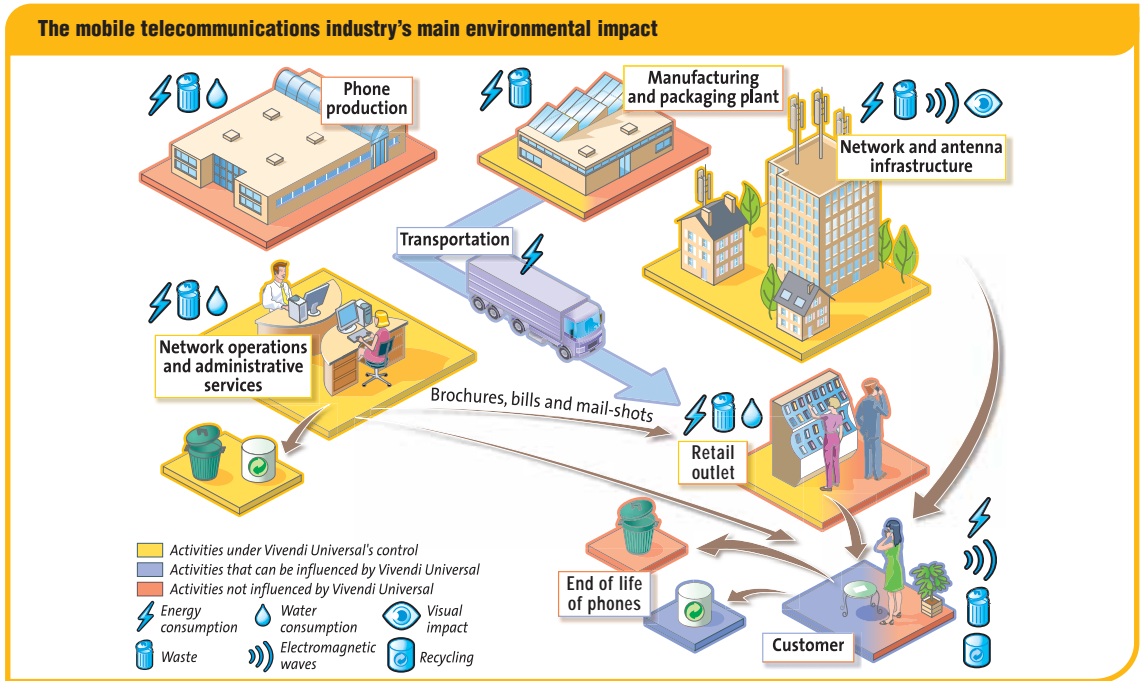
Canal+ Group pays particular attention to the energy consumption of its digital set-top boxes in standby mode and, although not obliged to do so, has adopted standards with its suppliers that go far beyond existing recommendations including the “Code of Conduct on Energy Efficiency of Digital TV Service Systems,” published in March 2001 by the European Commission.

Thanks to technological developments in the components used, the consumption of Canal+ Group digital terminals in standby mode (currently 5 watts maximum) has been reduced by a factor of three since the first Mediasats appeared in 1996, and by a factor of two in operational mode (between 15 and 20 watts today).

Monitoring of Canal+ Group’s performance targets

	2001	2002	2001/2002 variance	2003	2002/2003 variance
Carbon dioxide emissions (in millions of kilograms)	2.09	2.73	+30.62%	2.52	-7.69%
Water consumption (in thousands of cubic meters)	17.80	18.54	+4.16%	22.24	+19.96%
Waste production (in metric tons)	610.05	595.09	-2.45%	445.85	-25.08%

2003 data covers 100% of Canal+ Group’s sites (excluding StudioCanal: 50%)



In October 2003, SFR launched a nationwide campaign to collect and recycle mobile phones, using its network of "Espace SFR" mobile phone shops.

Materials recycling

Precious metals such as platinum, gold, silver and copper, which are present in very small quantities in telephones, are recovered and used to make copper piping or jewelry. Batteries are sorted into categories and then undergo a melting and pyrolysis process to recover materials. Nickel from batteries, for example, can be used to manufacture stainless steel for saucepans. Mixed plastics (containing metal) are sent to a specialist company in Sweden, which recycles part of these materials and incinerates the rest to produce energy used to heat the households of a neighboring village. Other recycled plastics are used in manufacturing road marker cones and vehicle fenders.

SFR recycles mobile phones

Today, 40 million people in France own a mobile phone, which they replace on average every 18 months, although the average life of a handset is seven years. With such a high renewal rate, recycling mobile phones has become a major issue for the community and for SFR.

The European Directive on Waste Electrical and Electronic Equipment (WEEE) of January 27, 2003, which is to be transposed into French legislation in 2004, contains a series of provisions to promote the sorting, collection and recycling of this type of waste.

The Directive's goal is to achieve a minimum annual selective collection rate of 4 kilograms of electronic waste per inhabitant by December 31, 2006.

In November 2001, SFR anticipated this measure and in October 2003 set up a new large-scale system with two main focuses:

- re-use of mobile phones
- sorting, recycling and waste destruction.

SFR reduces waste from pack manufacturing

SFR is taking action to reduce and better control the waste generated by the manufacture of its packs. The volume of waste per unit produced has been cut by over 50% in three years, from 237 grams in 1999 to 108 grams in 2003.

This improvement was achieved by implementing a combination of three programs:

- adopting a box-in-box packaging process so that the mobile phone manufacturer's box fits directly into SFR's pack
- rationalizing the number of components per pack
- optimizing the materials used in pack production to reflect environmental concerns (reducing the plasticizers and polymers used as well as the weight of the materials used, etc.).

SFR integrates antennas

Since its creation, SFR has made investments of more than €4.8 billion in its infrastructure (excluding licences) throughout France. At December 31, 2003, SFR had installed 13,400 base stations and had increased the percentage of coverage to 98% of the French population. Between 1993-2003 its customer numbers were multiplied by 104 and increased at an average rate of 59% per year.

This growth rapidly made the integration of antennas an essential element of SFR's environmental policy. SFR's goal is to meet the requirements of public authorities and the general public regarding the network's performance and coverage, while limiting visual impacts and addressing residents' concerns.

At the end of 2002, after issuing an educational and methodological guide for its installation teams and subcontractors as well as training, SFR set itself the ambitious objective of integrating 100% of its new antennas by the end of 2004, ensuring respect for people and their quality of life. In 2003, the rate achieved was 76%.

Working together with elected representatives, municipalities, lessors of sites, town planners, architects and landscape architects, SFR makes its best efforts to integrate its new antennas into their surroundings and to improve its previous facilities. SFR is committed to using existing sites to deploy its third generation UMTS (Universal Mobile Telecommunications System) network.



To further encourage the imagination of antenna installation teams, SFR rewards sites with the most well-integrated antennas. On November 7, 2003, a panel of nine internal and external experts selected the Caisse d'Epargne in Fougères as the Best Site of 2003. The antennas were installed in the attic, where roof tiles were replaced with identical resin panels. The lighthouse on the island of Aix took second prize.

Monitoring of SFR Cegetel Group's performance targets

	2001	2002	2001/2002 variance	2003	2002/2003 variance
Carbon dioxide emissions (in millions of kilograms)	5.30	5.66	+6.79%	4.29	-24.20%
Water consumption (in thousands of cubic meters)	44.97	75.55	+68%	84.52	+11.87%
Waste production (in metric tons)	2,764.50	1,232.44	-55.42%	664.31	-46.10%

2003 data covers 100% of SFR Cegetel Group's sites excluding Société Réunionnaise de Radiotéléphone (Reunion), whereas in 2002 the reporting scope included only the principal tertiary buildings in the Paris region.

Responsibility toward Customers and the Public

■ Customer satisfaction

Vivendi Universal's activities are subject to constant and far-reaching changes, mainly due to the rapid growth of new technologies. Its teams therefore have the task of anticipating consumer trends and breaking new ground. The group has launched a number of initiatives, particularly in its service activities, to meet customer needs as fully as possible.

Canal+ Group

Customer focus

Canal+ Group had more than 8 million subscriptions in France at the end of 2003. The company has call centers located in Paris and Rennes, where a 600-strong workforce replies to all requests, processing over 4 million Canal+ and CanalSatellite subscriber calls throughout the year.

Canal+ Group registered considerable improvement in its performance indicators during 2003. The call response rate rose to 89% (versus 64% in 2002), and the average response time was cut by more than half to 52 seconds, versus 123 seconds in 2002. A number of factors are responsible for this encouraging performance: the customer service teams were reinforced, opening times were extended (Monday to Saturday from 8 a.m. to 10 p.m.), the interactive vocal server was optimized, and all procedures were revised and improved.

The company also replied to nearly 4.2 million letters within an average of five days, and 200,000 e-mails within an average of 48 hours.

In addition, the monthly magazines sent out to subscribers (Canal+ and CanalSatellite) are highly effective in communicating information.

Customer satisfaction

The satisfaction survey undertaken at the end of 2003 resulted in a highly positive assessment of the new program grid introduced in September 2003, featuring a dozen new scrambled and unscrambled programs (sports, films, documentaries, etc.).

- The overall audience rose by about 10% compared with the fall of 2002, with regards to both potential customers and subscribers.
- All the satisfaction indicators were up (rates, marks, intentions to renew subscriptions).
- The brand image improved. Generally speaking, subscribers felt that the channel was "moving in the right direction." According to potential customers, the new season provided novelty and a better quality/price ratio (a 5-point rise in six months).

NC Numéricâble, a Canal+ Group subsidiary, made customer attention its focus. In a constantly changing competitive environment, the company aims to offer the best service by basing its approach on customer expectations, which are measured by a number of indicators. A quality control policy has been in place for several years to pinpoint malfunctions, and foster creativity in the constant search for progress. This policy has brought results: after obtaining ISO 9002 certification in 2001 for its customer service in television and Internet activities, the company was awarded ISO 9001 certification in 2003 for successfully involving all its staff in this process of continual improvement.

NC Numéricâble is, at present, the only cable operator and the only broadband Internet access supplier in France to have obtained this certification.

SFR

On December 31, 2003, SFR had 14.72 million customers, representing 35.3 % of the mobile telecommunications market in France. With almost 1.2 million more customers than in 2002, SFR recorded a 9% rise in its total number of customers, considerably higher than that of the French market as a whole.

Major progress was made in mobile multimedia, with 2.3 million users by the end of December – which was twice as many as in 2002 – mainly due to *Vodafone live!*, the new multimedia offer launched by SFR in October 2003. More than 6 million multimedia messages (MMS) and 3.3 billion short messages (SMS), a 50% rise compared with 2002, were sent by SFR customers in 2003.

Customer focus

SFR's customer service department has 6,000 people, more than half of which are subcontractors. Call center operators receive ongoing training in new offers and services. They provide a personal welcome and take charge of the customer's entire request. Certified "Qualicert" since 2002 (by the independent body SGS ICS) for its customer service, SFR has drawn up a commitment charter with over 30 points (see *boxed item*).

Customer satisfaction

The TNS Sofres survey carried out in November 2003 showed that customer satisfaction at SFR is increasing, with 77% of customers feeling that customer care agents fully responded to their requests (versus 75% in 2002 and 68% in 2001).

If customers do not believe that SFR's customer service department has responded appropriately to their complaint, they can contact the consumer department which is part of SFR's quality control division. Within the consumer department, one member of staff is dedicated to re-examining files, consulting other company departments if necessary (legal, technical, sales, etc.) and offering the most suitable solution. If the dispute continues, customers may, at no charge, apply as a last resort to the independent telephony Ombudsman, a former judge of the French Final Court of Appeal. The Ombudsman was introduced in July 2003 as the result of a joint initiative between the three French mobile telecommunications operators (SFR, Orange France and Bouygues) and the two principal fixed-line telecommunications operators (Cegetel and France Télécom).

Cegetel

Cegetel is France's No. 2 fixed-line telecommunications operator. At the end of 2003, it had 3.7 million residential and business customers, and over 20,000 corporate customers, including 70% of the companies which compose the CAC 40 stock market index.

In 2003, Cegetel set up an organization dedicated to customer relations, with some 300 customer care agents processing 7,500 calls and 2,000 e-mails every day.

A single site in the Loire-Atlantique region manages the 20,000 corporate customers, regardless of their size.

In 2003, Cegetel created a consumer department similar to SFR's, with recourse to an Ombudsman if the dispute is unable to be resolved internally.

Cegetel obtained ISO 9001 version 2000 certification in July 2002 for all of its sites and products and services dedicated to companies in France. This certification has since been validated every six months by Lloyd's Register Quality Assurance France.

SFR is committed to its customers

The 2003 audit confirmed that commitments had been fulfilled, and observed improvement in the quality of service in several areas: an average wait of 19 seconds before a call was attended to (20 seconds in 2002); 94% of answers to complaints completed within five working days (90% in 2002); and 100% of SIM cards shipped within 72 hours.

Developments in new mobile phone uses have created new customer expectations. In 2003, 450 new call center operators were given multimedia training, and a total of 600 customer care agents now take charge of all requests relating to mobile multimedia (information on offers, invoicing, setting mobiles and peripheral devices, as well as general assistance). SFR's customer service department received over 6,000 calls a day on this subject in 2003, versus 2,250 in 2002.

SFR communicates with consumer associations

The Consumer Quality Department submits a monthly report to the Management Committee outlining the main reasons for customer dissatisfaction. The report is accompanied by a summary of concerns raised by consumer associations and public authorities. This information is distributed throughout the company and used to better anticipate consumer and community expectations.



"Espace SFR" salespeople help customers find the offer which is the best adapted to their needs.

Health and electromagnetic waves: research status

Even though the scientific community now has a considerable understanding of the risks relating to powerful transmitters (television, radio), the possible long-term effects on health from the electromagnetic waves emitted by mobile phones are still the subject of many research programs. For example, ICRC, the International Cancer Research Center, has been commissioned by the WHO to carry out a wide-ranging epidemiological study, the results of which are due to be published at the end of 2004.

ICNIRP (International Commission on Non-ionizing Radiation Protection), an independent body that advises the WHO, has laid down a series of recommendations relative to exposure limits. These were taken up in the European recommendation of July 12, 1999 and transposed into French law through the decree of May 3, 2002 and the order of October 8, 2003.

Health and mobile telephony

The widespread use of mobile phones and the installation of antennas raise questions from consumers and the public in general. To allay these concerns, SFR has adopted a policy of responsibility, compliance and consultation. The policy is coordinated by the Health and Environment Programs Department created in 2000 and is applied by managers who are specifically appointed to ensure that SFR's commitments are implemented in the six regional divisions in France.

Transparency

Official expert bodies now agree that antennas are harmless. A report by AFSSE, the French agency for environmental health and safety, published in April 2003, confirmed "the absence of any effects on health caused by radio waves emitted by base stations."

Similarly, scientific research on mobile phones over the past 10 years has identified no evidence of risk to users. The findings have, however, raised questions that call for further investigation, which is why research in this field is continuing.

To monitor the progress made by the many research programs in this field, SFR has set up a scientific intelligence unit. This unit is supporting the creation of a "Radio waves and health" foundation which would be sponsored by the French government.

SFR provides reliable and regularly updated information to a broad audience. Two million brochures, published by AFOM (the French association of mobile operators), were distributed in 2003. These included 160,000 copies of "My Mobile Phone and My Health" distributed in "Espace SFR" shops, and 185,000 copies of "An Antenna Near My Home" in city halls.

Locally, regional divisions have carried out awareness-raising campaigns aimed at municipalities and residents. In 2003, SFR participated in over 100 public meetings on this subject.

Electromagnetic field measurement

SFR financed a series of electromagnetic field measurements aimed at improving information for elected representatives, lessors of sites and the general public. Over 460 measurements, as defined in the official ANFR (French frequency agency) protocol, were taken in 2003 by independent inspection bodies. The results can be consulted on ANFR's website (www.anfr.fr), which also features a full map of radioelectric transmitters in France (TV, FM, GSM, etc.): 86,000 transmitters, of which 37,000 are antennas (excluding the equipment of certain ministries and amateur radios).

Widespread distribution of hands-free kits

SFR also offers its customers the possibility of reducing their exposure to radio waves by using a hands-free kit. Since September 2002, SFR has been providing free hands-free kits with each of its packs. For customers who did not benefit from this offer, whether individual or corporate, SFR provided more than 1 million hands-free kits between May and October 2003 in "Espace SFR" shops.

SFR went well beyond the recommendations of a French decree that came into effect in October 2003, which requires mobile phone manufacturers to include usage warnings in their instruction manuals, including a recommendation in favor of the use of hands-free kits.

■ Issues linked to the production and distribution of information and entertainment

Responsibility toward minors

As a producer and distributor of information and entertainment, Vivendi Universal is especially aware of its responsibilities toward minors.

Whether in video games, films or information transmitted via mobile phones, Vivendi Universal's business units make every effort to inform parents and give them the means to protect their children as much as possible from undesirable content.

A number of tools, which vary according to the activity and country concerned, have been created.

Vivendi Universal Games (VU Games)

VU Games was one of the initiators of the Pan European Game Information (PEGI) system, and today is one of its most active promoters. This system came into force in April 2003 in 14 European Union countries and Switzerland. Set up on the initiative of the video game industry, it is overseen by the Interactive Software Federation of Europe (ISFE). Companies are free to apply this classification for leisure software.

VU Games adopted the PEGI Charter from the outset. This charter uses logos and pictograms on packaging to highlight the age group the game is designed for, and alert consumers to sensitive content (*see box*).

In the United States, VU Games complies with the guidelines adopted by the Entertainment Software Association. Pursuant to these guidelines, VU Games indicates in its product packaging and advertising the age group for which the particular product is appropriate and a brief description of its content.

Some countries, like Germany and South Korea, have their own local regulations applicable to PC and video games.

Universal Music Group

Universal Music Group (UMG) participates in various initiatives undertaken in several countries by industry organizations. For example, different colored labels in Australia or "parental advisory" warnings in the United States indicate explicit content contained in certain CDs. The same warnings are used on the Internet.

Canal+ Group

Canal+ Group has always placed a strong emphasis on protecting its young audiences, and anticipated the recommendations of the CSA (the French broadcasting regulatory body) published on October 22, 2003 regarding the broadcasting of category 5 programs (those prohibited for under-18s).

Canal+ Group employed considerable human and financial resources in 2002 and 2003 to set up technical facilities fulfilling CSA requirements, and informing subscribers about them.


For digital broadcasting, Canal+ Group set up a double encryption system in early 2002 for its premium channel, and extended it, in November 2002, to CanalSatellite channels broadcasting category 5 programs. With the double encryption system, a black screen appears with a band saying "program blocked" when such programs are broadcast. The subscriber must then enter a four-figure personal code to access the program.


In the spring of 2003, Canal+ also introduced a system enabling its analog subscribers to refuse access to category 5 programs. This measure was also in line with the opinion expressed on this matter by the CNIL (the French national commission on personal data) in March 2003.


The PEGI charter uses five age categories and six criteria to categorize games' contents.


 3 years and over

 7 and over


 12 and over

 16 and over

 18 and over

 Violence

 Nudity or sex

 Drugs

 Frightening images

 Encouragement of discrimination

 Explicit language

Olivier Karius, SAM media analyst

"For the Dow Jones Sustainability Index, a sector approach is used. Of the final rating given to a company, 40% is based on the specific problems that apply to each sector. Where the media sector is concerned, we look at content, editorial policies, transparency and lobbying."

Alexis Krajevski, ISIS Asset Management analyst

“When a telecoms company is assessed, we examine access to pornography and adult products. In particular, we check whether the agreements signed with distributors guarantee that only adults can take out this kind of subscription, or that technical systems have been set up to deny children access to such content.”



Tatjana Vassilieva, an exceptionally talented young cellist, received the Best New Artist of the Year award at the French “Victoires de la Musique Classique” in February 2004. This is also an acknowledgment for Universal Classics France, which is recording the Russian artist’s second album, a cello and piano recital of works by Schubert, Franck and Stravinsky.

Maxime Le Forestier, singer/songwriter

“We must make sure that this system, set up 150 years ago with the invention of SACEM [the French association of songwriters, composers and publishers], and the well-known expression, “Pay me for my song and I’ll pay you for my beer,” survives the upheaval it’s going through at the moment. For my part, I’ll go on writing songs. I just want youngsters of 15, who are keen to get their contemporaries singing, to be able do so under decent conditions.”

* Olympia concert hall, Paris, December 4, 2003.

Pilotime, the digital terminal that Canal+ Group began marketing in March 2003, benefits from software with more recent technology, enabling subscribers to double-encrypt category 5 programs as well as those of other categories on each of the channels it broadcasts.

SFR

Faced with the issue of unsuitable content for minors, SFR implements a rigorous system of content control and encouragement for vigilance on its Vodafone *live!* mobile multimedia portal.

This includes precise, strict rules for content publishers (all of whom are chosen according to SFR criteria): warning messages, limited access to some services during specific periods of the day, good conduct rules on chat room home pages, and systematic posting of downloading prices before providing access to this type of service.

Promoting diversity

Vivendi Universal helps to promote the diversity of content through its activities as a producer and distributor of music, films and video games. One of the group’s priority objectives is to enable present and future generations to satisfy their curiosity and develop their talents.

Universal Music Group

UMG is making huge strides in Latin America, Asia and the Pacific Rim. This is largely due to its efforts in seeking out and promoting new talent such as Juanes, Moriyama Naotaro and Hayley Westenra, and to the diversity of its labels in various repertoires including jazz, classical, pop, rap and gospel music. UMG is keen to continue investing in the development of artists representing a wide range of musical genres and cultures.

Universal Music France

The recession hitting the music industry throughout the world has reached France, which until now has shown resistance to the explosion of piracy and free file-downloading on the Internet. One result of this economic crisis is the tendency to reduce investment in risky creative choices.

Despite this particularly difficult situation and a 14.6% drop in its revenues in 2003, Universal Music France is continuing its policy of diversifying its offer and discovering new artists.

With an increase in classical music sales (contrary to the fall observed by the market), and stable revenues from jazz labels, Universal Music is continuing to invest in new artists in all repertoires. The upside to this strategy has been the plethora of awards garnered by Universal artists, at the Victoires de la Musique, Diapasons d’Or and NRJ Awards.

In 2003, Universal Music France devoted 10% of its production to new artists (artists featured in the French television show *Star Academy* represented less than 5% of this investment), and produced over half of the debut albums released by new French artists.

Universal Music France is the French market’s biggest investor in the marketing and promotion of new artists. This strategy has delivered results, as sales of new artists’ albums accounted for more than half of its 2003 revenues from new products.

Canal+

Canal+'s editorial line stems from an on-going ambition: to enrich the quality and diversity of the programs offered to its subscribers.

Canal+: the movie channel

Almost 45% of the 8,760 hours of programs aired on Canal+ in 2003 was devoted to feature films: 321 of the 420 films broadcast were shown for the first time on television. In addition to this exclusive aspect, subscribers to Canal+'s premium channel benefit from a wide variety of films shown in their original version without commercial breaks.

Programming diversity

Canal+ offers all film genres: blockbusters, art films, comedies, action, thriller, fantasy, and so on. Original versions for foreign films, 16:9 wide-screen format, and closed captioning are also available.

Promoting the film industry

Canal+ is the only channel offering weekly programs on film news and events. *Le Journal des Sorties* is a free-to-air program on the latest theatrical releases while *C du Cinema* is encrypted. The channel also offers its subscribers exclusive coverage of all the major events in the film world (the Cannes Film Festival, the César and the Academy Awards, and so on). Since September 2003, Canal+ has adopted a new film editorial policy with new film slots: *Lundi Box Office*, *Jeudi 7^e Art* and *Vendredi Coup de Coeur*.

Canal+'s contribution to cinematographic creation

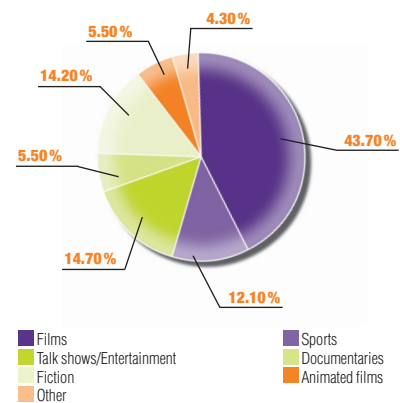
In May 2004, Canal+ Group entered into an agreement with the French film industry. This agreement guarantees both a stronger partnership with the industry and an enhanced film offering for Canal+ subscribers. The five-year agreement, which will take effect on January 1, 2005, includes:

- the creation of new movie slots in Canal+'s program lineup, which will allow feature films to be shown every evening, including Saturday
- increased theme content on each of Canal+'s digital channels, with the possibility of broadcasting one-third of programs not broadcast on Canal+ premium
- a more ambitious film diversity policy ; Canal+ will allocate 17 % of its budget for the acquisition of French-language films to movies produced for not more than €4 million.

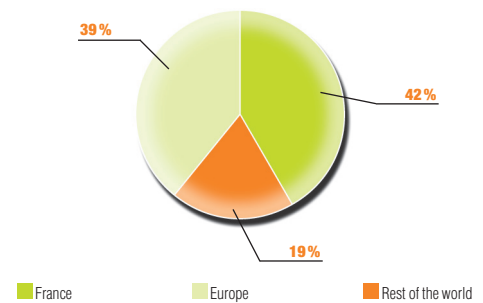
Lastly, Canal+ renewed its financial commitment to support all industry segments. The Canal+ channel will continue to allocate at least 9 % of its revenues to the acquisition of French-language films, as part of its obligation to devote 12 % of its revenue to the acquisition of European movies. The investment in French and European films could reach 12.5 % due to a bonus system based on success.

In 2003, Canal+ acquired 161 French films, of which 110 were recent French productions and 33 were feature-length films. Canal+ is the channel that acquires and selects the highest number of debut films. These figures do not take into account the investments of StudioCanal, (Canal+ Group's film production, co-production, acquisition and distribution subsidiary), or of the CineCinema channels.

Breakdown of Canal+ programs in 2003 (out of a total of 8,760 hours of programs)



Breakdown by origin of films broadcast by Canal+ in 2003 (out of a total of 420 films aired)



StudioCanal, a Canal+ Group subsidiary, co-produced *Raining Cats and Frogs*, an animated film made by Jacques-Rémy Girerd. *Raining Cats and Frogs* sold more than 850,000 tickets in five months in France.

Solange Montillaud-Joyel, UNEP*

“The media often talk in terms of looming disaster when they cover environmental and ecological issues, which tends to make readers, listeners and viewers feel guilty rather than encouraging them to take action. Profound awareness-raising is needed to help citizen-consumers learn about the social and environmental impacts of their current levels of consumption.”

*United Nations Environment Program



Adiboo and the Energy Thieves, available in September 2004 in PC and PS2 versions.



Kookabonga will be available in 2005, also in PC and PS2 versions.

Quality information and educating the public

How can a media and telecommunications company, which produces and diffuses messages and images of society, cultivate sustainable development and transmit information and skills? Considering this question means firstly identifying the triggers for “positive value creation” within the group, and examining how activities and products can contribute to promoting education, knowledge, discovery, exchange, discussion, respect for others and the preservation of our natural heritage.

VU Games

VU Games offers a particularly attractive range of interactive PC and console games from education and early learning through to entertainment.

Today, VU Games' Coktel studio is the No. 1 European publisher of edutainment software and games for children between 2 and 15. The original games *Adi*, *Adiboo*, *Adiboo Choo* and *English Fever* are distributed in France, the United Kingdom, Germany, Switzerland, Spain, Italy and Canada, with Asia and Brazil joining the list shortly.

Game design and production are the result of teamwork. Scriptwriters, teachers, graphic artists, computer engineers, ergonomics experts and psychologists all pool their talents to create programs that transmit constructive messages to children. The most recent creations invite children to take action to protect the environment, share their discoveries and engage in thoughtful or humorous approaches, in a deliberate move away from violence.

Adiboo and the Energy Thieves

Keeping the Earth in good health is the challenge thrown down by the new game *Adiboo and the Energy Thieves*. Children are drawn into a scenario full of adventure and suspense, where they have to stop robots from stripping the planet Celesta of its vital resources and find the energies that make up the planet's wealth. In the various levels of gameplay, children do not resort to violence but use elements of surprise and creativity to neutralize their opponents. Furthermore the villains are robots, and therefore unaware of the evil they are inflicting on the planet.

Kookabonga

In the game *Kookabonga*, children find themselves facing a disastrous ecological situation brought about by rival kings. The seeds of life in the Millennium Tree, symbol of peace throughout the kingdom, have been stolen, and the Tree is gradually fading away... The children need to find the seeds of life in order to bring it back to life. To accomplish their mission, children are assisted by a team of four monkeys, whose complementary qualities (strength, intelligence, rapidity, agility), mutual support and enthusiasm make it possible to save the Millennium Tree.

Canal+ Group

The news on Canal+

The channel's editorial staff aims to offer news "with a difference." Its objective is to treat topics clearly while respecting pluralism and independence. Canal+ has developed programs dedicated to enquiries and investigatory reports. The grid includes the daily i>TELE news bulletins, the programs +*Clair*, *Lundi Investigation* and *90 Minutes*, as well as new daily programs launched in 2003.

Ma Planète

Through its subsidiary multiThématiques, Canal+ develops television channels that explore all facets of culture and knowledge. These include Planète, Planète Future, Planète Thalassa and Ma Planète – the first discovery channel for children between 7 and 15.

News programs and documentaries all contribute to informing audiences, young and old, about the environment and health, and help them to explore the world, and make it easier to understand the risks faced by our planet.

Media Overseas

Prodom, a subsidiary of Media Overseas, co-produced *La Loi de la Jungle* (The Law of the Jungle) in 2002. This documentary by journalist Philippe Lafaix shows the ecological and human devastation brought about by gold-washing in Guiana.

La Loi de la Jungle was one of the official selections for the Festival of Human Rights (Paris, June 2003), the Environmental Film Festival (Paris region, November 2003), and Ciné Eco (Portugal, October 2003), where it won the prize for the "Best Human Rights Film."

In 2003, Prodom also participated in the production of *Moussa le Taximan*, a series of six AIDS prevention films designed for Africa and co-produced with INPES, the French national institute for prevention and health education.

SFR

In October 2003, SFR launched a national mobile phone recycling operation (see page 24). SFR is the first operator in France to engage in such a wide-reaching program, with the aim of making customers aware of the importance of environmental protection.

After minor repairs, the mobile phones are reconditioned and sold in countries where mobile phones are contributing to development. SFR then uses the money from these sales to finance shelters for abused children in France, in partnership with the La Voix de l'Enfant non-profit organization.

In two months 3,657 mobile phones and batteries were collected in the 500 "Espace SFR" shops throughout France, and a further 2,619 phones were donated by company employees. As a result, SFR financed two shelters in 2003.



Bruce Toussaint and Marie Drucker, journalists at I>TELE, the non-stop news channel.

External Auditor's Opinion

■ External opinion of one of the auditors on the reporting procedures related to the information contained in the Sustainable Development Report for 2003

At Vivendi Universal's request, we carried out the work described below on the information reporting procedures indicated in the Sustainable Development Report for 2003.

This information was prepared under the responsibility of the company's management. Our role is to express an opinion on the process used to collect the information on the basis of the work performed, which is neither an audit nor a limited review made in accordance with International Auditing Standards.

Nature and Scope of Work

Our work consisted of:

- an analysis of the procedures used for reporting, validating and consolidating the economic, social and environmental performance indicators provided for in French corporate law (NRE) and GRI (Global Reporting Initiative) guidelines
- an examination of the scope of each type of indicator
- discussions with managers concerning the collection of figures included in the report at corporate headquarters and in the major operating units.

Comments

We have the following remarks to make:

- rules determining scope differ for the various economic, social and environmental indicators, and are mentioned in each part of the report. The scope of the social and environmental indicators was extended this year
- comments on each indicator explain how it is calculated, where appropriate
- following the group's reorganization, the harmonization of reporting systems is being examined.

On the basis of the work performed and taking into account the above-mentioned comments, we did not observe any material exception from the procedures implemented, which appear to be in keeping with the objectives.

Paris, June 14, 2004

RSM Salustro Reydel
Sustainable development

Benoît LEBRUN

Bertrand VIALATTE

Philippe ARNAUD

Partner in charge
of the sustainable
development department

Internet sites

Vivendi Universal: www.vivendiuniversal.com
 Investor Relations: <http://finance.vivendiuniversal.com>
 Canal+ Group: www.canalplusgroup.com
 Universal Music Group: www.umusic.com
 Vivendi Universal Games: www.vugames.com
 SFR Cegetel Group: www.sfrcegetel.fr
 Maroc Telecom: www.maroctelecom.ma

Vivendi Universal's 2003 Sustainable Development Report *Our economic, social and environmental responsibility*, is available upon request (see the back cover for the group's contact details). The electronic version of this report is also available on the group's website www.vivendiuniversal.com (under the Publications section). We appreciate your comments and remarks; please don't hesitate to send them to us either by mail (see the back cover for address details) or by e-mail at sustainabledevelopment@groupvuu.com.

Conception and editorial: Vivendi Universal – Corporate Communications
 Creation and production: Utopies
 Photo credits: Alain Benainous/Gamma; Jacques Boissay; Alain Buu/Gamma; Coktel; Bruno Delessard; Jean-François Deroubaix/Gamma; Raoul Dobremel/Canal+; Alexis Duclos/Gamma; Xavier Lahache/Canal+; Laurent van der Stockt/Gamma; Eric Vaudon; A.Yanez/Universal Classics France; photo libraries of Vivendi Universal, DR.

This report is printed on 135g Satimat. This paper can be fully recycled and is biodegradable. It is ISO 9706 certified. This paper is manufactured in factories located in Bessé (Sarthe, France) and Wizernes (Pas-de-Calais, France). Both factories are certified ISO 9002 and ISO 14001.

Completed June 14, 2004
 343 134 763 RCS Paris

Head Office
Vivendi Universal
42, avenue de Friedland
75380 Paris cedex 08
France
Telephone: +33 (0)1 71 71 10 00
Fax: +33 (0)1 71 71 10 01
www.vivendiuniversal.com

New York Office
Vivendi Universal
800 Third Avenue
New York, NY 10022
USA
Telephone: +1 212 572 7000

VIVENDI
UNIVERSAL